



# FRED CLARK

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STATE REPRESENTATIVE ♦ 42ND ASSEMBLY DISTRICT

**Public Hearing**

Senate Committee on Economic Development

Monday, April 19, 2010

10:30am, Rm. 330 SW

## **Testimony – AB 749**

### ***Biomass Harvesting Equipment Tax Credit***

Members of the committee, thank you for allowing me to testify today on behalf of Assembly Bill 749, which would offer tax credits for the purchase of woody biomass harvesting equipment.

Just like the business expansion tax credits passed in the state stimulus package for dairy and meat processor facilities, the biomass harvesting equipment tax credits can help promote modernization in Wisconsin's second leading industry, forestry.

Rising energy costs, federal tax incentives for biomass heating systems and high-efficiency heating system technologies have driven more and more consumers and businesses to using woody biomass. Offering tax incentives to companies willing to invest in new biomass harvesting equipment will create new jobs and help bolster our state's forest industry. New equipment needs new operators, and this legislation will encourage companies to invest not only in equipment but also in the state's workforce.

Residential and commercial biomass heating systems are becoming more and more popular in Wisconsin and across the nation. Beginning in 2008, the Federal government began offering great incentives for consumers to purchase high-efficiency biomass stoves. Given our states' climate and strong forestry industry, Wisconsin is the ideal market for biomass heating systems.

Biomass harvesting equipment can be very expensive, but with an incentive to purchase new equipment, businesses will need new operators and pellet manufacturing personnel. This bill will strengthen the state's forestry industry while also promoting the creation of new jobs.

The Biomass Harvesting Equipment Tax Credits provide:

- A 10% franchise tax credit or up to \$100,000 on the purchase of approved biomass harvesting equipment.
- Total tax credits of \$900,000, are available to claimants after December 31<sup>st</sup>, 2009 and before January 1<sup>st</sup>, 2016. To help smaller businesses get these tax credits, \$450,000 is designated for companies with an adjusted gross income of less than five million dollars.
- Tax credits would apply only toward equipment used primarily for biomass harvesting or processing.
- Department of Commerce would implement a program for determining eligibility of applicants.

As many of you know Forestry is thriving in Wisconsin, our forests grow more and more each year. Of every 1,000 live trees over ten feet tall in Wisconsin this year, 80 will die from severe weather, insect damage, crowding, disease or old age. Only 4 of the thousand will be harvested by loggers. However, 98 new trees will grow past the ten foot mark during the year. Therefore, in Wisconsin, annual wood

growth exceeds harvest capabilities for most species. Wisconsin is roughly 34.7 million acres in size and of those 34.7 million acres we have over 16 million acres of forest land.

As you can see, Wisconsin has an overabundance of raw forest products, but we import roughly 15 billion dollars of energy each year. In an attempt to become more energy independent, Wisconsin has been using biomass for co-firing facilities. Co-firing energy facilities burn different types of biomass and coal together which cut Wisconsin's demand for out-of-state coal and promote state industries.

**Wood fiber pellets are a great alternative energy source. During the energy costs spike of 2008, pellet manufacturing need was projected to double in only two years. Energy costs will continue to rise and investing in Wisconsin's biomass harvesting capabilities is the right move for Wisconsin to edge toward energy independence while supporting a 20 billion dollar industry.**

Again, I would like to thank the committee for your consideration of this bill, and I would entertain questions at this time.